

**Bold and underlined text** indicates proposed added language.

~~**Bold and strikethrough text**~~ indicates proposed deleted language.

## NATIONAL SECURITIES CLEARING CORPORATION RULES & PROCEDURES

Note:

**Green shaded bold and ~~underlined/strikethrough~~ text indicates proposed changes that will be implemented on August 28, 2025.**

**Unshaded bold and ~~underlined/strikethrough~~ text indicates proposed changes that will be implemented on September 11, 2025.**

NATIONAL SECURITIES CLEARING CORPORATION RULES

RULE 12. SETTLEMENT

**[Changes to this Rule, as amended by File No. SR-NSCC-2025-010, are available at [www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings). These changes became effective upon filing with the SEC but have not yet been implemented. On September 11, 2025, these changes will be implemented, and this legend will automatically be removed from this Rule.]**

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SEC. 2. Notwithstanding any provision in these Rules to the contrary, until the effective time (as defined below):

(a) any action taken by the Corporation or a Qualified Securities Depository pursuant to an instruction given by the Corporation to deliver securities from the Corporation's account at a Qualified Securities Depository to the account of a Member at a Qualified Securities Depository by book-entry on a Business Day for which payment is to be made by the Member to the Corporation (a "Depository Instruction") shall, notwithstanding the nature of such action, not constitute an appropriate entry on the books of the Qualified Securities Depository specifically identifying the securities so as to constitute a delivery thereof or reducing the account of the Corporation and increasing the account of the Member by the amount of the obligation or the number of shares or rights subject to the instruction; **and**

(b) any receipt of securities by a Member pursuant to Rule 9 on such Business Day for which payment is to be made by the Member to the Corporation (a "physical receipt") shall, whether or not the securities subject to the physical receipt remain in the possession of the Corporation, not constitute a voluntary transfer of possession of such securities by the Corporation to the Member; **and**

~~(c) any action taken by the Corporation pursuant to an instruction given to the Corporation by a Member to move a position to its Fully Paid For Subaccount shall not constitute an appropriate entry on the Corporation's books so as to constitute such movement.~~

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PROCEDURE VII. CNS ACCOUNTING OPERATION

**[Changes to this Procedure, as amended by File No. SR-NSCC-2025-010, are available at [www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings). These changes became effective upon filing with the SEC but have not yet been implemented. As described in File No. SR-NSCC-2025-010, on August 28, 2025 and September 11, 2025, respectively, the applicable changes will be implemented, and this legend will automatically be removed from this Procedure.]**

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D. Controlling Deliveries to CNS

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1. Exemptions

**Except as described below,** each Member has the ability to elect to deliver all or part of any short position. It controls this process by Exemptions. By indicating a particular quantity as an Exemption, the Member directs the Corporation not to settle certain short positions or portions thereof. Exemptions govern short positions in the CNS Stock Record and not Designated Depository positions. All short positions or positions thereof for which no Exemption is indicated are settled automatically to the extent that the Member has made such securities available in the Member's Designated Depository account or they become available in its Designated Depository account through other depository activity.

(a) Types of Exemption

**The CNS system provides for two levels of Exemption.** By proper use of position reporting made available by the Corporation and Exemptions, Members can utilize current inventory as well as securities received from other sources on settlement day in order to satisfy delivery requirements.

**(i) Level 1 Exemption** — By submitting a Level 1 Exemption, the Member indicates that the portion of the short position exempted should not be automatically settled against its current Designated Depository position or against any securities which may be received into its Designated Depository account as a result of other depository activity.

**(ii) Level 2 Exemption** — The submission of a Level 2 Exemption is an instruction by the Member that the portion of the short position exempted should not be automatically settled against its current depository position. Such a position may be satisfied, however, by

~~certain types of “qualified” activity in its Designated Depository account.~~

~~(b) Qualified Activity~~

~~There are three types of qualified activity which allow short positions carrying Level 2 Exemptions to be settled:~~

~~(i) Coded Deposits – The Member deposits securities into its Designated Depository account in the normal manner, but by using a special deposit ticket which indicates that these securities are available for settling Level 2 Exemption quantities.~~

~~(ii) Coded Collateral Loan Releases – A Member may release securities from its Designated Depository collateral loan account and wish those securities to be used in settling a Level 2 Exemption quantity. In this case, the Member uses a special Collateral Loan Release form which authorizes such use.~~

~~(iii) Receipts from Banks – All securities received against payment from banks are eligible to settle Level 2 Exemption quantities. Settlement of such items is automatic and no special instruction by the Member is required.~~

~~(eb) Methods of Submitting Exemptions~~

Exemptions may be submitted by using such form or automated means as are acceptable to the Corporation from time to time. Exemptions must either indicate the quantity to be exempted, or indicate all, ~~and designate that quantity as Level 1 or Level 2~~. A Member may submit daily Exemption instructions to the Corporation. If a Member has no Exemptions on a given day, instructions may be submitted indicating no Exemptions ~~for either Level 1 or Level 2~~.

A Member must submit standing Exemption instructions to the Corporation. Standing Exemption instructions will govern all of the Member’s short positions for any day on which specific daily Exemption instructions are (i) not submitted to the Corporation, (ii) not received by the Corporation, or (iii) unable to be processed by the Corporation.

Exemptions may be submitted by Members through the facilities of service bureaus and other agencies provided that the service bureau or agency has been authorized by the Corporation to act on behalf of its Member.

Exemptions must be submitted for each CNS Sub-Account maintained by the Member (see subsection I of this Section).

(d) Exemption Override

With respect to same day settling transactions, Members may select a standing Exemption override to permit all such short positions to be delivered. Additionally, during the daytime cycle, a Member may override the Same Day Settling Exemption as well as other Exemptions entered by the Member the previous evening. To do so, the Member should prepare a Delivery Order (DO) and submit it to its Designated Depository in the normal manner. If the Designated Depository is DTC, the receiving Member must be designated as 888.

The securities designated to be delivered on the DO are first applied to any quantity covered by a Level 1 Exemption and the Same Day Settling Exemption. **Any remaining quantity (or if no Level 1 Exemption existed, the entire delivery) is applied to any quantity covered by a Level 2 Exemption.** If there is still a remaining quantity, that quantity is not processed.

E. Influencing Receipts from CNS

After securities are received by the Corporation from Members with short positions, they are allocated to other Members which have long positions. The allocation of these securities is designed so as not to benefit any one Member. Members may change their relative rank by submitting Priority Requests. The submission of a Buy-In Intent will also affect the priority of a Member's long position in that particular security.

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**5. Fully Paid For Account**

**(Procedures for Movements to the Long Free Account)**

~~The Corporation's processing day is divided into two parts. It begins with a night cycle on the evening preceding the settlement day for which the work is being processed and is followed by a day cycle which ends on the settlement day for which the work is processed. If a Member with a long position and/or a position due for settlement on the next settlement day, in anticipation of receiving securities from the Corporation (other than municipal securities, as that term is defined by the Exchange Act), as a result of the allocation process during the night or day cycle for that settlement day, instructs that securities within its possession or control (other than municipal securities) be delivered on the next day and is subsequently not allocated the securities during the night or following day cycle, the Member may, in order to meet the "customer segregation" requirements of Rule 15c3-3 of the Exchange Act, instruct the Corporation, during the day cycle for that settlement day by the time specified by the Corporation, to~~

~~transfer the position(s) which has not been allocated to a special CNS sub-account (the "Long Free Account"). The Corporation will then debit the Member's settlement account for the value of the position in the Long Free Account. The Long Free Account will be guaranteed by the Corporation and will be marked daily.~~

~~All funds which the Corporation receives from debiting the Member's settlement account for the value of a position moved into the Long Free Account and all marks credited to the Long Free Account as a result of marking positions to the market daily, will be segregated by the Corporation from all other funds received by the Corporation. Any time that a Member determines that he no longer needs the position(s) in the Long Free Account for 15c3-3 purposes, he may instruct the Corporation to transfer back the position(s) to its Long Valued Account and make the appropriate adjustment to its settlement account.~~

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#### H. Miscellaneous CNS Activity

Certain types of activity occur within the CNS system which are reflected on Miscellaneous Activity Reports. Each entry shown on these reports is identified by legend as to type, e.g., reorganization, OW Obligations, journal entry, etc. Security entries also appear on the Accounting Summary identified as "miscellaneous". Money entries are netted to a single figure on the Miscellaneous Activity Reports and are identified as "miscellaneous" on the Accounting Summary.

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#### 4. Corporate Reorganizations

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##### (b) Voluntary Reorganizations

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#### On E+1 (CNS End Date/Protect Expiration Date)

The regular CNS allocation process takes place through the day cycle on the last day of the protect period. A long position in a subject security for which an instruction has been received by the Corporation to establish a position in the CNS Reorganization Sub-Account, as described above, has the highest priority for CNS allocation, as provided for in Section E, 4(a) of this Procedure VII.

By such time and in such manner as established by the Corporation from time to time, the Corporation shall inform Members who have given the Corporation instructions

to move a long position in a subject security into a CNS Reorganization Sub-Account of the expected move of that position to a CNS Reorganization Sub-Account. On E+1, until such time as established by the Corporation from time to time, Members may add, adjust, or delete long positions which will be moved to the CNS Reorganization Sub-Account in whole or in part by submitting an instruction to the Corporation in such form and until such time on E+1 as established by the Corporation from time to time.

**~~Members are prohibited from moving positions in subject securities between the CNS General Account and that Member's Fully Paid-For Subaccount.~~**

\* \* \*

On and Following E+2

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The table below sets forth the time frames for the processing of subject securities subject to a voluntary reorganization with a protect period of one day and voluntary reorganizations with no protect period.

	Date long position member must instruct NSCC to move position to Reorg. Sub-Acct. (Standard Date)	Date short Member notified of potential Liability	Date long Member notified of potential Protection	<del>Date long Members are prohibited from moving positions in subject securities between CNS General Account and Fully Paid-For Subaccount</del>	Last date long members may submit Delete instructions	Last date long Members may submit Protect Add or Adjust Instructions (protect add or adjust submitted on CNS end date)*	Date long positions moved to Reorg. Sub-Account	Date long Member notified of Final Protection and short Member notified of Final Liability	Short position marked to voluntary offer price
1 Day Protect	E	E	E+1	<del>E+1</del>	E+1	E+1	E+1	E+1	E+2 or thereafter
No Protect	E-1	E-1	E	<del>E</del>	E	E	E	E	E+1 or thereafter

\* "CNS end date" is either the protect expiration date of the offer or, when there is no protect, it is the expiration date of the offer.

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ADDENDUM G

**FULLY-PAID-FOR ACCOUNT(ADDENDUM LETTER RESERVED FOR FUTURE USE)**

**[Changes to this Addendum, as amended by File No. SR-NSCC-2025-010, are available at [www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings). These changes became effective upon filing with the SEC but have not yet been implemented. On September 11, 2025, these changes will be implemented, and this legend will automatically be removed from this Addendum.]**

**I. MOVEMENT OF SECURITIES INTO THE FULLY-PAID-FOR ACCOUNT**

**The expansion of the Fully-Paid-For application will be of benefit to Members making deliveries during DTC's evening and daytime processing on settlement date by permitting deliveries in anticipation of CNS allocation.**

**On the morning of settlement date and during the day cycle on settlement date, DTC will indicate to the Member what securities have been delivered out via DTC. Similarly the CNS Settlement Activity Report will be made available indicating what has been allocated in the night cycle, and information is also provided regarding allocations made in the day cycle.**

**Based on this information, the Member can determine what unallocated CNS long valued positions must be moved from the CNS General Account A to the CNS Fully-Paid-For sub account E to maintain compliance with Rule 15c3-3 of the Exchange Act.**

**The Corporation will accept instructions to make such movements through such time on each settlement date as it shall determine, and such instructions will be applied promptly thereafter during the day cycle through such cutoff time. The amount that will be moved from the A Account to the E Sub-account will be the lesser of: (i) the number of shares covered by the instruction that remain in the Member's A Account at the time the instruction is received and applied, and (ii) the number of shares subject to the instruction.**

**Members should be aware that shares allocated during the day cycle, after instructions have been received to move a position from the CNS General Account A to the Fully-Paid-For Account E, will result in a reduction of the amount of shares in the Fully-Paid-For Account by the amount of the allocation.**

**At the end of the day, the Corporation will charge the Member's settlement account the value of the positions residing in the Fully-Paid-For Account at the close of the CNS processing cycle.**

**The value charged to the Member's settlement account will appear on that day's settlement statement.**

~~The following day, the amount debited the previous day (i.e., value of closing position Fully Paid For Account) will be credited to the Member's settlement. The credit will appear on the settlement statement.~~

~~The process will be repeated daily to the extent a Member has any positions in its Fully Paid For Account.~~

## ~~II. MOVEMENTS OUT OF THE FULLY PAID FOR ACCOUNT~~

~~Positions that have been established in the Fully Paid For Account will be returned to the Member through normal allocation to the Member's E sub account.~~

~~However, in the event a Member which has previously given instructions to move a position into its Fully Paid For Account finds that the position no longer needs to be segregated, it may issue instructions to return the position to its General Account, thus reestablishing the position in the General Account and reducing the Fully Paid For Account.~~

## ~~III. MOVEMENT INSTRUCTIONS~~

~~Instructions to move positions into or out of the Fully Paid For Account are to be submitted to the Corporation prior to such time as established by the Corporation from time to time.~~

## ~~IV. FULLY PAID FOR ACTIVITY REPORTS~~

~~The Corporation will provide Members with the following reports detailing the movement of security positions between the CNS General Account (A) and the Fully Paid For Sub Account (E).~~

- ~~• Miscellaneous Activity Reports~~
- ~~• CNS Accounting Summary~~

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